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FROM : Amembassy BENGHAZI

236
DESP. NO.

TO : THE DEPARTMENT OF STATE, WASHINGTON.

May 23, 1959
DATE

REF : Embtels 590 and 595 to Dept.

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SUBJECT: 1959 Economic Aid Program

There is enclosed a memorandum of conversation with the Prime Minister on the occasion of an exchange of notes confirming our offer to make available certain funds to the Libyan budget for its fiscal year 1959-60. The enclosure was previously summarized in the Embassy's telegram 595.

J. Wesley Jones

Enclosure:

As noted.

Copies sent to Amembassy TRIPOLI (2)

DEPARTMENT OF STATE A/DC/MR
DATE 5/6/82
J.M. Razi

JWJones/PHcC
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773.5-MSP/5-2359 EMW

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MEMORANDUM OF CONVERSATION

SUBJECT: Exchange of Notes Regarding Economic Aid

PARTICIPANTS: His Excellency Abd al-Majid Ku'bar,
Prime Minister and Minister of Foreign Affairs

J. Wesley Jones, American Ambassador

Mansour Kekhia, Head of Treaties & Conferences
Section of Ministry of Foreign Affairs

Muhammad Salah, Embassy Arab Secretary and
Interpreter

DATE/PLACE: Prime Minister's Office, Benghazi,
May 21, 1959, 12:30 p.m.

After the exchange of notes in the Prime Minister's office this morning committing a certain portion of United States aid funds to Libyan budgetary assistance this fiscal year, I turned to the question of what public position we should take if asked about the status of United States economic assistance this year. I said that I had thought of replying in the following vein and handed the Prime Minister in informal Arabic translation the following:

> "The United States Government has endeavored to be responsive to Libya's immediate economic assistance requirements and an understanding has been reached regarding such assistance for the current fiscal year. This understanding concerns the 1959 program only and does not affect any future programs, which are subject to agreement from time to time. It also is without prejudice to the current discussions between representatives of the two Governments with respect to the review of the economic aid agreements between the two countries."

The Prime Minister indicated no particular objection to the substance which he admitted said little, but added he hoped I would not use it unless I had to.

His principal hesitation was related to the still incomplete discussions between the Libyans and Americans on our economic development program for 1959. He said that he understood that Mr. Shaglouf and Mr. Brown were having a meeting today on this subject but that Mr. Shaglouf had indicated to the Prime Minister that there was very little money this year for economic development projects. Mr. Shaglouf had reported to him that there was only $11 million for economic development which, compared to last year's figure of $25-$27 million (sic) was going backward rather than forward in our economic

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collaboration. I assured the Prime Minister that there had not been $25-$27 million worth of economic aid last year unless he were including technical assistance programs. If he were talking only about grant aid, then the amount was $19 million the last fiscal year, I added. In the ensuing discussion it became apparent that the Prime Minister felt he had $21 millions in toto this fiscal year (by adding the $10 million referred to in the Note which I had just handed him and the $11 million for economic development which Shaglouf had reported would be available). I had to disabuse him of this assumption, pointing out that $2 million of the $10 million mentioned in the Note for payment into LARC was in fact part of the $11 million for economic development, the programming of which would be discussed between Messrs. Shaglouf and Brown today. Mr. Ku'bar then complained that we were not making any progress: That last year we had provided $19 million, and that this year we had provided $19 million. This he considered discouraging and indicated that he had expected something more from the United States Government this year.

I pointed out that there was considerable difference between last year's program and this, in that he was receiving $8 million of the total free of any controls from the United States Government or the requirement to expend them in project assistance. When he complained that the "piece of bread" we were furnishing this year was no larger than last year's, I pointed out that at least it was baked more to his flavor and taste; that, in fact, we had gone a long way to meet his desire for free funds, further than at any time in the past.

He then spoke very seriously about the elections early next year and the upcoming electoral campaign this autumn. He said that the Government could not go into these elections without some significant step forward in the negotiations for an upward revision of the financial annexes of the Base Agreement which they had undertaken with us last January. I replied by expressing the hope that within the next few weeks or months I would be able to present an American position on the various points raised by the Libyans in their notes of November 1958 and March 1959 and that we could, indeed, make some progress in this field.

JWJones/PMcC 5/22/59

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